



# *49th Annual Report* 1960

BOARD  
OF DIRECTORS  
IN 1960



# 1960 HIGHLIGHTS:

## Fiscal Years Ended November 30

	1960	1959
Net Sales .....	\$296,470,457	\$283,260,920
Income before Federal and Canadian Taxes .....	18,855,163	19,399,866
Federal and Canadian Taxes on Income .....	10,101,060	10,131,769
*Net Income .....	8,867,157	9,207,069
Dividends Paid .....	6,112,660	6,050,185
Net Income per share .....	2.61	2.71
Dividends per share .....	1.80	1.80
Net Working Capital .....	119,868,907	100,326,525
Net Working Capital per share .....	35.28	29.55
Net Worth .....	110,765,953	107,916,256
Net Worth per share .....	32.60	31.78
Number of Stockholders .....	19,008	18,508
Number of Employees .....	34,000	33,500

\*After adjustment for minority interests.



The global-molecular design on the cover of this report symbolizes International Shoe Company's forward-looking approach to shoe science and research as the company moves into its golden anniversary year.

This report was created and executed by The Manning Public Relations Firm of New York, corporate public relations counsel for International Shoe Company.





## INTERNATIONAL SHOE COMPANY

### DIRECTORS

William J. Banks	Lee C. McKinley
Edgar S. Bland	Robert O. Monnig
David R. Calhoun	Oliver F. Peters
Maurice R. Chambers	Henry H. Rand
Kenton R. Cravens	Norfleet H. Rand
Harold M. Florsheim	Rezin H. Richards
Clemence L. Hein	Richard O. Rumer
Andrew W. Johnson	Laurence M. Savage
J. Lee Johnson	

### OFFICERS

Henry H. Rand	President
Andrew W. Johnson	Vice-President
Oliver F. Peters	Vice-President
Robert O. Monnig	Vice-President and Treasurer
J. Lee Johnson	Vice-President
Rezin H. Richards	Vice-President
Harold M. Florsheim	Vice-President
Lee C. McKinley	Vice-President
Maurice R. Chambers	Vice-President
Norfleet H. Rand	Vice-President
Joseph Fox	Vice-President
Richard O. Rumer	General Counsel
William J. Banks	Comptroller and Asst. Secretary
Warren P. Metz	Secretary and Asst. Treasurer

### GENERAL OFFICES

1509 Washington Ave. • St. Louis 66, Mo.

### TRANSFER AGENTS

Manufacturers Trust Company, New York, N. Y.  
Mercantile Trust Company, St. Louis, Mo.

### REGISTRARS

Guaranty Trust Company, New York, N. Y.  
St. Louis Union Trust Company, St. Louis, Mo.

### SAVAGE SHOES LIMITED

#### DIRECTORS

Maurice R. Chambers	Henry H. Rand
C. Reg Kidner	Norfleet H. Rand
John S. Malcolm	Laurence M. Savage
Robert O. Monnig	

#### OFFICERS

Laurence M. Savage	President
C. Reg Kidner	Vice-Pres. & Sec.-Treas.
John S. Malcolm	Vice-President

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### THE FLORSHEIM SHOE COMPANY

#### BOARD OF MANAGERS

William H. Armstrong	Martin F. Maher
Maurice R. Chambers	Robert O. Monnig
William Collingwood	Oswald M. Pick
Simeon F. Eagan	Henry H. Rand
Harold M. Florsheim	Norfleet H. Rand
Thomas W. Florsheim	John K. Riedy
Gifford P. Foley	Laurence M. Savage
Richard A. Heider	Paul M. Smith
J. Lee Johnson	Joseph B. Stancliffe
Weldon P. Magee	John W. Wallace

#### OFFICERS

Harold M. Florsheim	President
S. F. Eagan	Vice-President
O. M. Pick	Vice-President
J. B. Stancliffe	Vice-President
W. H. Armstrong	Vice-President
W. Collingwood	Vice-President
T. W. Florsheim	Vice-President
G. P. Foley	Vice-President
W. P. Magee	Vice-President
J. K. Riedy	Vice-President
J. W. Wallace	Treasurer and Secretary
B. B. Clayburn	Assistant Secretary
M. F. Maher	Director of Advertising

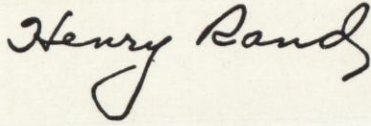
### ANNUAL MEETING OF STOCKHOLDERS

will be held at 10:00 A.M. on February 27, 1961,  
at the Company's General Offices, 1509 Washing-  
ton Avenue, St. Louis, Missouri.



# INTERNATIONAL: WORLD'S LARGEST SHOE MANUFACTURER ON THE MOVE INTO THE 60'S

From the desk of



This is a different Annual Report than you have been accustomed to receiving. I feel it tells you something of the changes that have been taking place at International Shoe Company—changes that are coming to a head as we enter our Golden Anniversary Year.

Within its pages you will find reference to research, in which we lead our industry and upon which we are placing ever greater emphasis. There are reports on sales, manufacturing, wages and financial matters which your officers and directors believe to be sound and of great importance to the company's success in the years ahead.

I see no reason to summarize them. Rather I wish to make this message somewhat different by attempting to consider the future as it relates to business in general and to your company in particular.

General business activity, I believe, will show little or no rise for the next three to six months. As a matter of fact, I am of the opinion there may be a mild continuation of the dip that started about half way through 1960. Toward the end of 1961 we should see an upward movement as the beginning of a long-term advance in our economy.

International has streamlined its general line division sales force, a part of the great change in its organizational and operational structure. This, together with expected improvement in business conditions in the latter part of 1961, should help sales exceed those in the record year of 1960. But in the obscure period immediately ahead it would be most unsound to suggest more than a cautious expectation of what might happen in the ensuing twelve months.

There is increasing evidence of further declines in inventories throughout the retail business. This is not good for shoe retailers since surveys show that one out of five customers is lost because of a lack of wanted sizes in stock. Nevertheless, it is a fact.

To offset this narrowing of inventories at retail, your company has realigned its manufacturing and wholesale operations and is making increasing use of its 705 electronic computer to keep closer control over raw materials and inventories, yet handle orders more swiftly.

There is evidence on the national level that consumer prices will continue to rise and that wholesale prices will inch up. To avoid the need of increasing shoe prices to meet these rising costs, International is concentrating on research to improve current products and to reduce manufacturing costs. We hope through research to provide products that not only fit the buying habits and motivations of the consumer but keep his costs down.

Earnings felt the effect of our heavy movement into retail that began in 1959. Despite the expense it is certain to strengthen your company. The initial costs of retail operations are more or less behind us. The company is better balanced in retail and manufacturing than ever before.

Naturally there are many unknown factors in the national economy that can affect your company in the year ahead. The problems of rising unemployment must be solved. Our government's fiscal policies under a new administration are yet to be determined.

It is my opinion that almost every segment of every industry will be facing some rough months. Short-range, that is, for the coming year, I think International Shoe Company will do all right. Long-range, we certainly expect solid growth that will bring increased sales and earnings.

May I express appreciation and thanks to International's many good customers, to our loyal and capable employees and to the stockholders for their continued support and cooperation during the past year.

January 9, 1961

The usual expectant hush drifted over the audience of Progress Club members one evening a few days before Christmas as a brown-eyed, casually well-groomed man who might well have stepped from the professional football ranks, walked to the podium. Henry Rand smiled warmly at the 500 key personnel of International Shoe Company who gather periodically during each year to exchange ideas, fraternize and find out first hand from the president himself just where the company stands in all phases of its operations. Mr. Rand spoke of the growth and expansion of the company, whose outposts spread almost from the Arctic to the Equator, and the steps which have been taken to assure its continued position as the world's largest shoe manufacturer.

In the year 1960, he said with quiet pride, International Shoe Company had set a new record for sales, \$296,470,457; up some \$13 million over record-breaking 1959—in civilian business, \$15 million higher. This is close to a 5% increase in a 12-month period, which a fair share of the nation's businessmen had found to be—at best—somewhat erratic. It was accomplished, he pointed out, without benefit of a single military sale, an item which the previous year had added \$2.5 million to International's volume. Pairage of civilian shoes sold at wholesale and retail to others also was up to about 55 million pairs or over 600,000 pairs more than in 1959. The Golden Anniversary year ahead, he said, would begin to demonstrate the long-range planning in the areas of retail expansion and research and development.

That the plan was sound—as International has been unostentatiously sound since its formation a half-century earlier—could best be attested by the unique results in research and new product development.

From the largest and finest laboratories existent in the 300-year-old shoe industry were coming dozens of improvements and innovations for today's living.

Among the most newsworthy developments were Magic Heel top lifts with more wear to the pair; flexible direct molded shoe soles which outwear the uppers; non-cracking patent leather; wash-and-wear shoes.

The results of making shoes in step with science were everywhere apparent.

In Pittsburgh, steelworkers, protected by International's steel-toed safety shoes with Cush-N-Guard insteps, went about their jobs secure in the knowledge that a 2,500-pound load couldn't do much damage to the foot.

In Portsmouth, Ohio, at an atomic energy installation, technicians sported protective shoes of a brilliant yellow color for use in contaminated areas.

In Manhattan hospitals, doctors and nurses ministered

*continued on page 9*

*HENRY HALE RAND, President and chief executive officer of International Shoe Company, is portrayed (opposite) at a leather-covered table on which are arrayed some of the tools of shoemaking art. The unusual design behind him was created from various samples of fine leathers used by International's skilled craftsmen.*

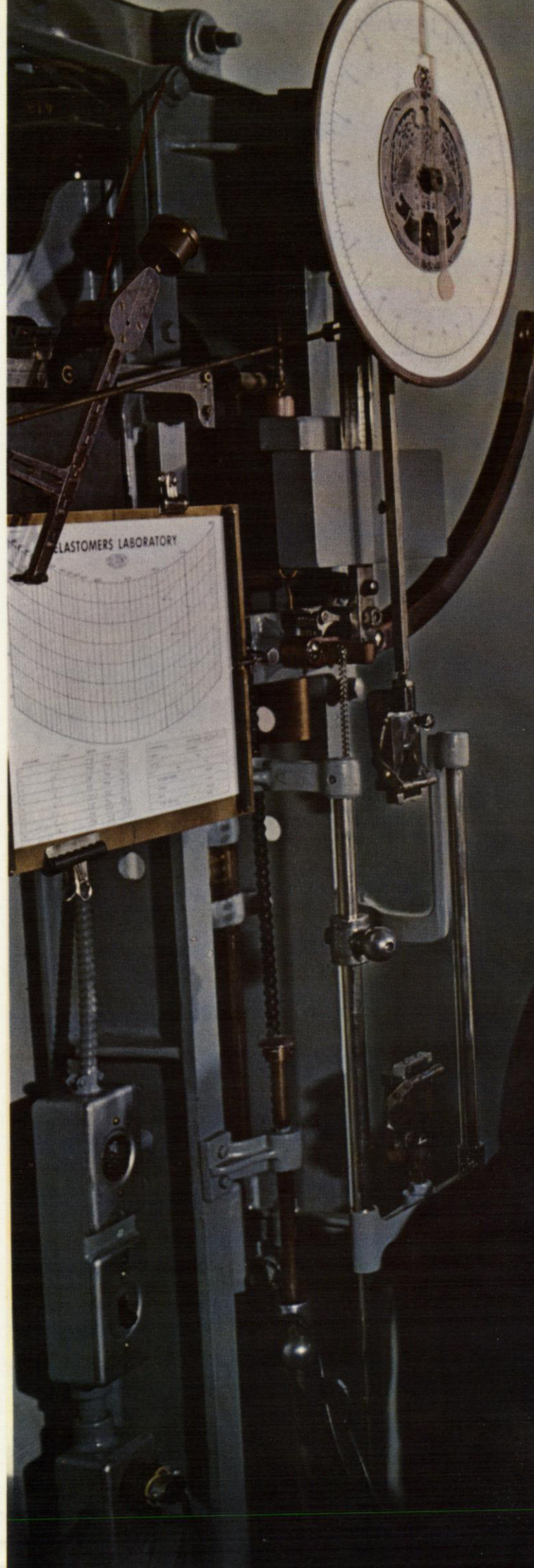






## SHOE CHEMISTRY:

The magic of chemistry results in many shoe-making innovations as illustrated here by the group surrounding a table of bright-hued rubber chemicals in Du Pont's Elastomers Laboratory at Chestnut Run, Delaware. From left are International Shoe's Rezin H. Richards, Vice-President for research, supply and service; Du Pont's H. Herman Abernathy, market development manager of the Elastomer Chemicals Department; Du Pont Vice-President Henry B. du Pont, and International Shoe's B. Everett Gray, research and development manager. On the slim spike held by Mr. Richards is a Magic Heel, the non-marring, permanent top lift produced from an exclusive compound developed by International from Du Pont polyurethane, one of the many new steps in shoe science to come out of chemists' test tubes.













# IBM



## SHOE ELECTRONICS:

As complex as the data processing machinery that backgrounds the photo on these two pages are the facts on sales, shipments, raw materials and stock (12,000 shoe stock numbers in 20,000 widths and over 200,000 sizes) constantly needed to run the world's largest shoe manufacturing company. In the electronic age, data that took hundreds of people weeks to compile is now turned out in a matter of hours on the IBM 705 that masters the problem for International Shoe, first in the industry to install a large-scale data processing system. Here, seated before some of the newest "electronic brains" at IBM's World Headquarters in New York, International Shoe Vice-President James Lee Johnson (left) and Gilbert E. Jones, President of IBM's Data Processing Division, symbolize the present-day partnership of electronics and shoe business.





## SHOE SCIENCE:

Research is a long-familiar fact of life at International. From three laboratories maintaining uniform tannery standards in the early 20's, the company's research operations have expanded into the most comprehensive in the industry, and now work for the consumer as well as the factory. Depicted here are four of the multitudinous technical phases that keep "shoes in step with science."

On this page: Top—Behind a battery of test tubes a researcher makes "leather analyses" for determination of protein (hide substance) in a leather sample.

Center—New shoe fashion colors become a reality as this chemist perfects a new finish that will combine high style with top wearing qualities.

Below—A Hy-Test safety shoe in fancy styling undergoes a compression test to ensure its steel box toe will provide ample protection for the wearer by withstanding a pressure of 2500 pounds.

Opposite page—Under scrutiny here is the strength of a plastic heel internally reinforced with a steel dowel to eliminate breaking and splitting, hazards of slender heels that meant repair bills and turned ankles. At the end of the dowel is International's Magic Heel plastic top lift.







### *On the Move* continued

to their patients while wearing unique white oxfords with specially made International soles to ground static electricity in operating rooms.

With most of the nation locked in winter's icy grasp, Sunday duffers practiced putting on the living room carpet—and looked forward to spring when they could pad from tee to green in a pair of International golf shoes designed by Champion Arnold Palmer. Another sports-first from the International laboratories were molded plastic cleated soles for football shoes, intended to eliminate the dangers of spike cuts or twisted ankles on the nation's gridirons.

In Des Moines, pretty moppets proudly displayed new "Sallies" of lustrous patent leather that is almost impossible to crack, while in Denver teen-age youths greeted their dates in daring new Winklepickers with the sharpest toes ever turned on a young man's shoes.

On Long Island, and in homes all over the country, homeowners enjoyed leisure living, comfortably shod

in casuals of International's Nybuc, a nylon suede so wear-and-care-free it can be washed clean as new in a washing machine.

Saleswise, dynamic M. R. "Dude" Chambers could report the completion of a plan of reorganization of the general line divisions from a collection of many sales divisions to five powerful regional sales organizations. Now, district sales managers—picked because of sales ability—were able to bypass paperwork and concentrate on selling shoes and more closely supervise a streamlined sales force. Here too, a well-studied and strategically-programmed attack that was capturing the nation's vital "young" market. This was fresh evidence that the thinking men's brains at International were not those of a sleeping giant but rather the perceptive minds of merchandisers prepared in advance for the first burst in population of teen-age customers resulting from World War II baby boom.

At the close of 1960 International could point with



pride to almost 800 directly owned retail outlets, a rise of 125 during the year, and 525 during the past five years.

Solidly backing the more glamorous reports from sales and research was the thorough, studious new plan for operations and manufacturing in some 60 shoe factories, six tanneries, three sole-cutting plants, two rubber sole and heel producing facilities and a dozen other units specializing in such operations as cotton textiles, welt manufacturing, box making, last remodeling and wood heel covering.

This was the province of three key vice-presidents; Lee McKinley, recognized as one of the world authorities on hides and leather; Rezin Richards, respected among researchers at home and abroad for his vision and practical applications of science to shoe-making; soft-spoken and indefatigable Norfleet Rand, keeping order and profit in the manufacture and distribution of millions of men's, women's and children's shoes to some 30,000 independent retailers in each of the 50 United States. Among important savings from this portion of International's management team was another reduction in wholesale shoe stocks of about one million pairs, bringing the total reduction over a five year period to some 2.5 million pairs. Increased efficiencies resulting from the work of the electronic computer, combined with management planning, now made it possible to quickly fill large orders with smaller inventories.

Thus, some outsiders were freely predicting that International would finish the year earning considerably higher than 1959. But as a "working shoeman," President

For stockholders, the new spirit of St. Louis was clearly evident. In January, 1961, for the 199th time in 48 consecutive years, a quarterly dividend (45¢ per share) went out to the company's 19,008 owners. For the fiscal year, International had paid out a total of \$1.80 per share. But it had also plowed the remaining 81¢ of per-share earnings or \$2,754,497 right back into the business. Object: continued company growth.

#### HOW WE USED OUR 1960 SALES DOLLAR

For materials, supplies and expenses .....	\$150,782,154	50.9¢
For employees' pay and benefits ..	120,734,181	40.7¢
For tools wearing out (depreciation) .....	3,809,670	1.3¢
For payments ordered by Government .....	12,277,295	4.1¢
(taxes—excluding social security)		
For dividends to stockholders ..	6,112,660	2.1¢
Remainder used in business ...	2,754,497	.9¢
	<b>\$296,470,457</b>	<b>100.0¢</b>

#### SOURCE AND DISTRIBUTION OF FUNDS

Fiscal Year 1960

##### Funds were acquired from sources as follows:

Increase in long-term indebtedness .....	\$18,234,750
Net income for year .....	8,867,157
Depreciation of plant and equipment .....	3,809,670
Decrease in customers' loans receivable ...	721,557
Proceeds from sale of Company's treasury stock .....	108,366
	<b>\$31,741,500</b>

##### These funds were distributed as follows:

Dividends paid on common stock .....	\$ 6,112,660
Expenditures for plant, equipment and fixtures (net) .....	5,759,771
Increase in excess of investment over equity in subsidiaries (net) .....	150,640
Miscellaneous .....	176,047
	<b>12,199,118</b>
Net Increase in Working Capital .....	<b>\$19,542,382</b>

Rand knew better. "We could see," he confided, "problems on the horizon." As it developed, July was a pretty tough month for shoe retailers throughout the industry, and August proved little better. The traditional September pick-up, as Rand analyzed it, was "strangely missing"; in fact the entire second half proved to have "little if any zip" for the industry in general. Yet for all these problems, International had nevertheless come out a winner. Considering the company's heavy plunge into retail, net earnings at year's end figured out to \$2.61 a share, only slightly below 1959.

Two important fiscal developments promised to brighten the fiftieth anniversary year of 1961, and the golden sixties ahead. Of prime importance was a solid wage pattern developed and instituted by James Lee Johnson, industrial affairs vice-president, negotiated with the United Shoe Workers Union AFL-CIO and the Boot and Shoe Workers Union of America, AFL-CIO who represent the largest organized segment of this company's employees. In advance of the industry, new two-year contracts with these unions have a stabilizing effect that should permit International to plan on its shoe factory labor costs until October 1962.

The new pact provides a total wage increase of eight cents hourly over a two-year period; five cents to be paid beginning January 1, 1961 and the remaining three cents a year later. This, with various other benefits provide for a two-year period of uninterrupted production. Relations with many other unions and unorganized groups of employees continue on a harmonious basis.

Something approaching 800 long-time members of the vast International family were enjoying the leisure of 1960 that resulted from the recent pension plan for employees. During the year the company had provided for their future and the future of others to come with a contribution of approximately \$3,000,000 toward funds for retirement. Like any good contract it was favorable for both employer and employee—allowing the entrance of youth to provide enthusiastic growth to International and permitting those who had labored many years to enjoy the security that a pension brings.

The second long-range program for fiscal stability and growth maneuverability stemmed from the quiet office of financial Vice-President Bob Monnig, who like most International executives rose from the ranks of actual shoe making to his present post and combined, along with astute financial acumen, a flare for merchandising and sales promotion.

By late fall of 1960 he had brought to fruition a loan arrangement with three insurance companies in the



amount of \$50 million. Patiently for many weeks he had carried on negotiations, finally obtaining the loan at a rate of  $4\frac{7}{8}\%$  at a time when these same insurance companies were obtaining from  $5\frac{1}{2}\%$  to  $5\frac{3}{4}\%$  for long-term loans.

The reason for the favorable arrangement, he said, was because the \$50 million was replacing an earlier but smaller loan made at  $3\frac{1}{2}\%$ . For International, however, the arrangement was excellent.

The \$50 million was used to pay off a 1952 loan of \$30 million with the remaining \$20 million available to continue the expansion of retail operations and to reduce short term borrowing.

But this was only part of the picture. The original \$30 million loan required payments of \$1,125,000 each year beginning in 1962; at a time in which International may wish for cash to expand further at retail or for other needs.

For the next 10 years, these loan payments will be suspended since the initial payment on the new \$50 million loan will not fall due until 1970.

"Like all good contracts there must be something of benefit to both parties," explained Bob Monnig, "but we believe International to be the greater beneficiary. We have put permanent capital into places, especially retail, where it is expected to enhance the company's earnings. Short term borrowing, other than for purely seasonal needs, has been virtually eliminated as shown in our statement of financial position, compared with the fact we owed the banks about \$11 million in short-term a year ago and as much as \$24 million in May 1960.

To sum it up, the company's new long term debt represents an increase of \$13.9 million over the previous high point of 1955 of \$44.6 million. During this same five year period, working capital increased by \$23.6 million, and stockholders' equity increased by \$13.1 million.

The liquidity of International has improved to a point where the current ratio of 5-to-1 stands at about the highest point in many years. It was 3-to-1 in May. Working capital has increased during a five-year period to roughly \$120 million while stockholders' equity has advanced in a similar period to nearly \$111 million.

Record sales figures of the parent International sales picture were matched by two vital divisions—the famous Florsheim Shoe Company of Chicago and Savage Shoes Limited, Canada's largest shoe manufacturer.

With his usual reserve, President Harold M. Florsheim described the year as "very satisfactory" for the 67-year-old Florsheim Shoe Company. Actually, it was the most profitable to date, surpassing last year's all-time high in sales for the largest manufacturer of men's shoes in the quality field. The record results were attributed not only to the popularity and consumer demand but the steady flow of production and the maintenance of unit sales at a high volume.

Another factor was the continued leadership in high-styling to a point where in most areas the Florsheim product is the leader in men's foot fashions. The end product not only features fine lasting and quality workmanship but the unusual use of new leathers and materials.

An increase in mail orders reported a year ago continued at an even greater rate this year. It was said to reflect a change in the buying policy of the merchant who now depends on the manufacturer to carry an inventory that will adequately supply his needs on short

notice. New warehouse facilities and distribution center enabled the company to meet that demand.

During the year, the company acquired a majority interest in a small men's shoe manufacturing company in Australia. The business will be managed locally by the only other stockholder, Bedggood and Company, which operates a very successful women's shoe business. Florsheim will lend its technical advice and assist in styling. With this development program, it is expected that at the end of a short period, they will produce a quality product, worthy of the FLORSHEIM trademark and name.

In Canada, President Laurence M. Savage guided his mammoth Savage Shoes Limited operation to another record-breaking year, the sixth time in as many years that Savage has upped its volume. And this despite a downturn in the Canadian economy that did not spare other shoemakers.

Of no small value as volume builders were two of Savage's most recent acquisitions. McHale Shoes Limited of London, Ontario, purchased in 1959, and The Medcalf Shoe Company Limited of St. Thomas, Ontario.

Working closely with Florsheim's Harold Florsheim across the border, Savage produces Florsheim shoes in the most modern shoe manufacturing plant in Canada certainly—and perhaps in the whole world. Opened in November and situated just outside London, Ontario, on super-highway 401, the factory is the new McHale plant, whose 57,000 square feet provide manufacturing space, offices and warehouse areas for both McHale and Florsheim shoes.

Not to be outdone by International headquarters in St. Louis, Savage is now reaping the time and cost-saving benefits of its own electronic digital computer, the IBM Ramac. It is the first installation of its kind in Canada's entire shoe manufacturing industry, and is indicative of Savage's modern methods and heads-up management. Prospects for 1961: even greater growth aided and abetted by an expanded sales force, both in the Eastern provinces of Quebec and the Maritimes as well as Western Canada.

Far to the south an equally dramatic story is being written by a keen management-production team in Puerto Rico. But aside from the profit picture, the Puerto Rican operations provide many of the elements of "foreign production," a part of foreign competition which has become a highly complicated subject in connection with shoes.

To date, foreign competition has failed to affect International's market to any great extent since the imports are largely made up of fringe items—extremely cheap products from Japan or shoes having a rather highly specialized fashion appeal from Italy and other European countries. In other words, these shoes do not strike at the "heart" of the American market which is the particular province of International. The heart of the market is generally defined as a vast array of styles, patterns and colors, each supplied in 80 to 100 sizes.

Studies by International indicate it may be four to five years before foreign competition attacks the ISCO market. It would come, they believe, if the European Common Market develops a mass market approach like the American and if they continue to have the labor advantage now existent. Or it could happen if American entrepreneurs develop a method of designing, pattern-making and other phases of planning and send this "package"

*continued on page 14*



## IN STEP WITH THE SIXTIES

Spread out below International's top marketeers, Norfleet H. Rand (left), Vice-President for merchandising and manufacturing, and M. R. Chambers, Vice-President, sales, is an interesting selection of the more than 7,000 styles of shoes in International's repertoire. Some of those you see here are for everyday use; the others fit highly specialized duties that called on the ultimate in shoemaking research and skill. All of them are potent illustrations of International's pace-setting role in producing shoes in step with tomorrow, shoes in step with science. Starting from the left:

- The Arnold Palmer golf shoe, with nine uniquely placed spikes instead of eight, scuff and water resistant uppers that need no polishing. The shoe horn beside them here can be used for unscrewing the spikes.
- Suspended in air, a party dress shoe ("Sparkle") of gold non-tarnishable material with gold Mylar binding and bow.
- On its side, a 10-inch waterproof hunting boot of Sylmer, a silicone treated leather, foam insulation, direct molded outsole and heel that will outwear any known sole on the market under normal conditions.
- Atop the boot, a football shoe with a safety sole design of molded urethane that combines sole and cleats in one.







- In unmistakable canary, a shoe of distinctive color developed for the Atomic Energy Commission for easy identification where shoes must not be worn off the job because of contamination risk.
- Pointing upwards, a Winklepicker casual styled from a sharply-pointed English trend, enthusiastically accepted by U. S. high school youth.
- Steel-toed safety shoe with added Cush-N-Guard protection across the instep, developed by request for the steel industry, now also widely used in coal mining and lumbering.
- Inside the steel shoe a gold-plated brass-tipped toe that makes a point narrower than would otherwise be possible.
- In suspense again, a rainbow-hued shoe to demonstrate a new white material that can be tinted any color or combination of colors without running.
- For a young miss, a "Sallie" pattern of new improved patent leather with a brighter finish that holds its luster longer and wears better than other patents.
- Beneath the pump, a nurse's conductive oxford with a special sole, primarily for use in operating rooms to allay static spark hazards.
- In gray and red, the Winthrop Nybuc, a nylon material that looks like a sueded buckskin but can be scrubbed with soap and water, has Scotchgard added for extra water resistance.
- At right, a boot used by aluminum workers in the potroom to prevent burns from metal splashes; elastic top fits snugly around calf.

—Karsh of Ottawa





## Production Summary

Our Company's principal production is shoes.

During 1960 we produced:

### SHOES

For Men and Boys	Pairs	15,326,825	Consisting principally of this type of production our sales amounted to <b>\$296,470,457</b>
For Women and Girls	Pairs	15,512,882	
For Children	Pairs	16,279,662	
House Slippers	Pairs	1,043,338	
Total		48,162,707	

In addition, our Company carries on a vast amount of other production of materials and supplies used principally by us in the manufacture of shoes.

During 1960 we produced:

### MATERIALS FOR SHOE UPPERS

Leather for Uppers (including Linings) from Cattle Hides and Lambskins	Feet	56,992,102	This type of production had an aggregate value of <b>\$19,680,992</b>
Cloth for Linings from Cotton	Yards	9,875,535	

### MATERIALS FOR SHOE BOTTOMS

Soles, of Leather	Pairs	15,994,522	This type of production had an aggregate value of <b>\$21,085,374</b>
Soles, of Rubber	Pairs	16,690,848	
Counters, of Leather	Pairs	4,821,210	
Heels, of Leather	Pairs	1,908,461	
Heels, of Rubber	Pairs	14,603,712	
Leather, for soles from Cattle Hides	Pounds	10,043,609	
Welting, Leather	Yards	10,847,254	

### OTHER MATERIALS AND SUPPLIES

Boxes, Box Toes, Cartons, Cements, Chemicals, Patterns and others	Not itemized	This type of production had an aggregate value of <b>\$ 10,321,061</b>
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### TOTAL VALUE

Shoes, materials and supplies **\$347,557,884**

## On the Move *continued*

abroad to assemble in a foreign factory with cheap labor.

The Puerto Rican operation has three factories, one of them brand new. They are almost entirely directed and supervised by Puerto Rican personnel, where shoes are being produced at labor rates considerably under those in the United States. It is this particular operation, with the distance and water shipment problems, that provides a working pilot study to use if foreign competition threatens International's "heart" of the shoe market.

The new spirit of St. Louis that swept through the company so contagiously in 1960 was nowhere more evident than at company headquarters in St. Louis itself. There in the data processing division on the second floor of the International Shoe Building, an amazing, astonishingly accurate marvel of electronics tirelessly poured out the answers to a million vital questions.

An IBM electronic digital computer, affectionately called IDA (for International Dealers Advisory), she is one of the first of the mighty electronic brains ever used by any company—and the very first in the entire shoe industry. For International, almost-human IDA has proved an invaluable employee, and for good reason. As a shoe manufacturer, International must keep records for every size, every width, every stock number represented in the lines of its general sales divisions. Considering that each size in each width is a separate stockkeeping item, it means that the company must keep up with over 200,000 stock items.

The processing of material requirements for just one season covers more than 10,000 different materials ranging from bindings to bows, from tips to taps, to be used in over 40 International factories to make some 12,000 different stock numbers for 15 selling divisions. All these bookkeeping chores that once involved whole crews of clerks in weeks of calculating drudgery IDA now accomplishes in a matter of hours. In 1960 IDA's talents were put to work for the first time on the International Dealers Advisory, a unique service to retailers across the country which unerringly briefs them on which types of shoes in which colors and what kinds of materials are selling best by geographical areas.

From hide-market to headquarters, International's golden anniversary opened with emphasis on merchandising, retail selling and service to customers big and small. Having revamped the general line selling organization into five major divisions, the company in December moved Joseph Fox into a vice-president post to direct St. Louis Division retail operations. No newcomer in the retail field, the 49-year-old Fox had compiled an enviable record as president of Senack Shoe Company, now a subsidiary of the parent operation. His new job is to carry forward at full speed the solid retail selling operations already established and search out new ways and new places to sell shoes.

Already evident was a move to provide better and more complete service to the thousands of International customers. Some 108 showrooms were completed during 1960, among them being almost an entire floor in Manhattan's Empire State Building.

As modern as tomorrow's newspaper but as functional as a Jeep, these colorful new rooms in St. Louis, Atlanta, Los Angeles, New York, Dallas and other cities had a single purpose—to provide the ideal buying climate for customers and display a complete line of samples of the production of the world's largest shoe manufacturer.

*continued on page 16*





Through the glass doors above are the new General Line display rooms at International Shoe Headquarters on Washington Avenue, St. Louis, such as the one at lower left which typifies the 108 new rooms throughout the country. All have been skillfully designed to provide better service—at point of sale—to International's customers.



Spotlighted in the display at right are the three completely new nationally advertised lines of shoes—Trios, Gems and Smart Set—developed and styled specifically for the fast-growing "young" feminine market.



## On the Move *continued*

A vital asset to the sales program was the company's "MERCHANTS SERVICE PROGRAM" for independent dealers, who receive not only International's fine brands but valuable assistance in all phases of retailing.

Keyed to the over-all sales program was the company's promotional and advertising support with an expenditure of something approaching \$9 million. Long a leader in shoe advertising, the International message was reaching millions through newspapers, magazines, radio and television. In 1960 the company became a regular participant on the famous Jack Paar Show, the first shoe company to undertake a regular national network program.

Next was added Dick Clark's American Bandstand Show, the perfect communication with the rising "young" market. Thus the International message was being carried by 100 television stations, 598 radio stations, in over 500 daily newspapers to the extent of 20 million lines annually.

The Savage subsidiary continued as Canada's largest user of television, radio and Sunday supplements while International brands were featured in more than 30 of America's leading magazines—from *Reader's Digest* to

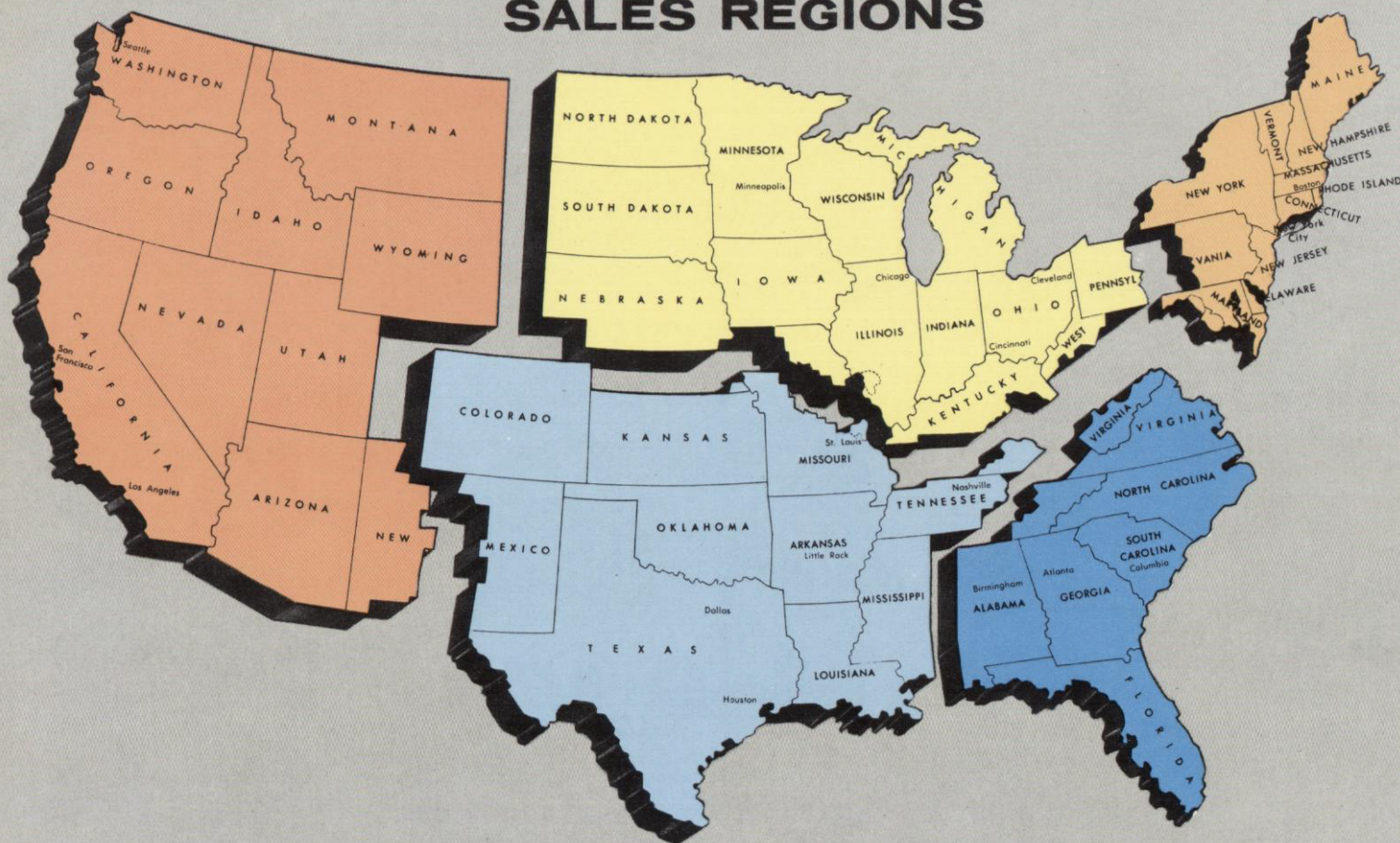
*Parents*; from *Vogue* to *Sports Illustrated*; from *The Saturday Evening Post* to *The New Yorker*. The list reads like the best of the nation's periodicals.

Entering its Golden Anniversary year, International could report finances sound with working capital touching \$120 million, \$20 million higher than the previous peak of \$100 million achieved at the end of 1959. The attack on the "young" market already was bearing fruit, with major departments for both young women and men either established or under planning in such stores as Marshall Field & Co. of Chicago, Frederick & Nelson of Seattle, John Wanamaker of Philadelphia, Denver Dry Goods Co. of Denver, D. H. Holmes Ltd. of New Orleans, The M. O'Neil Co. of Akron, Ohio, Brown-Dunkin Co. of Tulsa, Okla., The Kleinhans Co., Inc. of Buffalo, Nevius-Voorhees of Trenton, N. J., B. Altman & Co. of New York.

Scant wonder that Henry Rand could say:

"International Shoe Company has about completed a great change in organizational and operational structure, not only by entering into retail but by reorganizing its manufacturing and wholesale operations. This will make—as you can see—a stronger, better balanced company, entering 1961."

## SALES REGIONS



**SALES REORGANIZATION** of the general line division has recharted International's selling map (above) into five regions—Northeast, Southeast, North Central, South Central and Western, with a general sales manager for each. Result: better customer service, lower costs of sales operation, greater effectiveness of sales personnel with a reduction in the total number of salesmen from 500 to 340.



## PLANT FACILITIES

### Manufacturing Plants:

- 60 Shoe Factories
- 3 Sole Cutting Plants
- 2 Rubber Plants
- 1 Cotton Textile Mill
- 1 Welt Manufacturing Plant
- 1 Chemical Plant
- 1 Box Plant
- 1 Wood Heel Covering Plant
- 1 Last Remodeling Plant
- 1 Findings Plant
- 1 Display Shop
- 1 Leather Fibre Products Plant

### Tanneries:

- 5 Upper Leather Tanneries
- 1 Sole Leather Tannery

### Supply Plants:

- 1 Upper Leather Supply Plant
- 1 Central Supply Plant
- 1 Central Machine Shop

### Warehouses:

- 7 Finished Shoe Warehouses

## PLANT LOCATIONS

### Shoe Factories, Supply Plants, Tanneries and Warehouses

#### Missouri

Belle  
Bland  
Cape Girardeau  
Dexter  
Eldon  
El Dorado Springs  
Hamilton  
Hannibal  
Hermann  
Houston  
Jackson  
Jefferson City  
Kirksville  
Marshall  
Mexico  
Perryville  
Poplar Bluff  
Richland  
St. Charles  
St. Clair  
St. James  
St. Louis  
Salem  
Sikeston  
Sullivan  
Sweet Springs  
Vandalia  
West Plains  
Windsor

#### Illinois

Anna  
Chicago  
Evansville  
Flora  
Mt. Vernon  
Olney  
Quincy  
South Wood River  
Springfield  
Steeleville

#### Kentucky

Hopkinsville  
Paducah

#### Pennsylvania

Philadelphia

#### New Hampshire

Manchester

#### Arkansas

Batesville  
Conway  
Malvern  
Russellville  
Searcy

#### Georgia

Atlanta

#### Tennessee

Bolivar

#### Texas

Bryan

#### Kansas

Topeka

#### West Virginia

Marlinton

#### Ontario, Canada

Fergus  
Galt  
Kitchener  
London  
Preston  
St. Thomas  
West Lorne

#### Puerto Rico

Manati

#### Australia

Melbourne



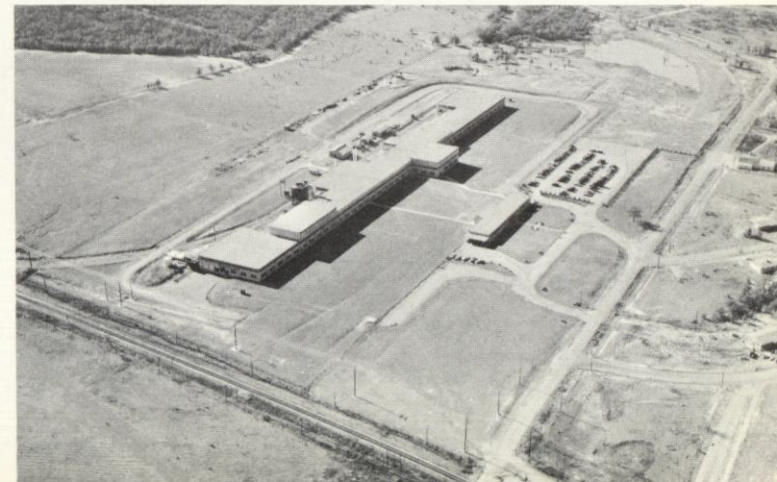
Headquarters of Florsheim Shoe Company, dominating west approaches to Chicago's loop, symbolize this International division's leadership in men's shoes in the quality field.



New Galt, Ontario, plant of Savage Shoes Limited, International's Canadian subsidiary, provides 50% greater productive capacity than the older Galt Plant it replaced.



Beside a tropical palm tree is one of the three modern shoe plants of International's Puerto Rican subsidiary, which has tripled its output in less than three years.



Production geared to the scientific concept is typified by the Bryan, Texas, rubber plant, which was planned around the machinery to accommodate an orderly flow of work.



# DIRECTORS - November 30, 1960

WILLIAM J. BANKS  
EDGAR S. BLAND

DAVID R. CALHOUN  
MAURICE R. CHAMBERS  
KENTON R. CRAVENS  
HAROLD M. FLORSHEIM

CLEMENCE L. HEIN  
ANDREW W. JOHNSON  
J. LEE JOHNSON  
LEE C. MCKINLEY

ROBERT O. MONNIG  
OLIVER F. PETERS  
HENRY H. RAND  
NORFLEET H. RAND

REZIN H. RICHARDS

RICHARD O. RUMER  
LAURENCE M. SAVAGE

*Comptroller and Assistant Secretary  
General Manager, General Line Sales  
Divisions*

*President, St. Louis Union Trust Co.*

*Vice-President, Sales*

*President, Mercantile Trust Co., St. Louis, Mo.*

*Vice-President*

*President, The Florsheim Shoe Co.*

*General Manager, Vitality Sales Division*

*Vice-President*

*Vice-President, Industrial and Public Relations*

*Vice-President-General Manager*

*Upper Stock and Miscellaneous Procurement*

*Vice-President and Treasurer*

*Vice-President*

*President*

*Vice-President-General Manager*

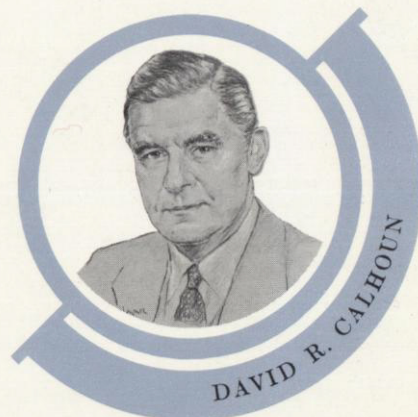
*Shoe Merchandising and Manufacturing*

*Vice-President-General Manager*

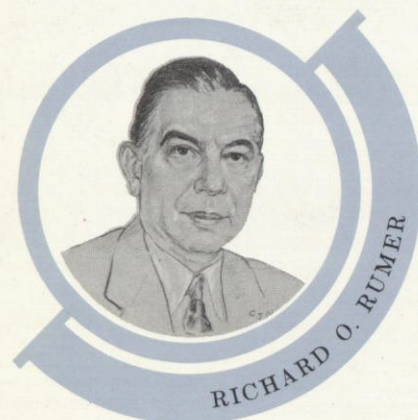
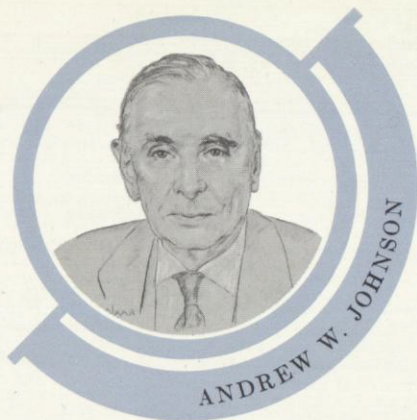
*Supply and Service Plants*

*General Counsel*

*President, Savage Shoes Limited*









# TEN YEAR CONSOLIDATED

## INTERNATIONAL

	1960	1959	1958	1957
Net Sales .....	\$296,470	\$283,261	\$244,314	\$266,073
Income Before Taxes .....	18,855	19,400	15,554	18,675
Federal and Canadian Income Taxes ..	10,101	10,132	7,938	9,095
Net Income (1) .....	8,867	9,207	7,541	9,577
Dividends Paid .....	6,113	6,050	7,043	8,054
Percentage of Net Income to Sales ..	3.0%	3.3%	3.1%	3.6%
Per Share—Net Income (2) .....	\$ 2.61	\$ 2.71	\$ 2.25	\$ 2.86
Per Share—Dividends .....	1.80	1.80	2.10	2.40
Cash and Government Securities ...	\$ 11,634	\$ 9,952	\$ 12,317	\$ 8,495
Receivables .....	53,598	52,418	43,468	45,304
Inventories .....	83,385	80,198	65,473	71,613
Prepaid Expenses .....	781	680	404	593
Total Current Assets .....	149,398	143,248	121,662	126,005
Current Liabilities .....	29,529	42,921	24,872	28,965
Working Capital .....	119,869	100,327	96,790	97,040
Physical Properties (Net) .....	40,538	38,588	37,882	38,520
Other Assets .....	10,339	10,805	10,836	11,257
Long-Term Debt .....	58,585	40,351	41,316	42,999
Minority Interests in Subsidiaries ...	1,395	1,453	912	1,035
Stockholders' Equity .....	\$110,766	\$107,916	\$103,280	\$102,783
Shares of Common Stock Outstanding .....	3,398,022	3,395,222	3,353,718	3,353,718
Stockholders' Equity Per Share ....	\$32.60	\$31.78	\$30.80	\$30.65

(1) After adjustment for minority interests.

(2) Based on shares outstanding.

(3) Includes nonrecurring items which increased net income \$1,101,325 or 33 cents per share.



# FINANCIAL REVIEW

YEARS ENDED  
NOVEMBER 30

## SHOE COMPANY

1956	1955	1954	1953	1952	1951
(Dollars in Thousands)					
\$266,814	\$262,414	\$246,765	\$251,028	\$217,042	\$225,070
22,123	21,847	21,659	19,508	17,116	20,170
11,246	11,448	11,592	9,687	8,859	11,459
11,849 (3)	10,414	10,203	9,931	8,287	8,837
8,062	8,095	8,131	8,139	8,096	8,158
4.4%	4.0%	4.1%	4.0%	3.8%	3.9%
(In Dollars)					
\$ 3.53 (3)	\$ 3.10	\$ 3.01	\$ 2.93	\$ 2.44	\$ 2.61
2.40	2.40	2.40	2.40	2.40	2.40
(Dollars in Thousands)					
\$ 8,892	\$ 10,639	\$ 10,443	\$ 11,527	\$ 23,168	\$ 6,149
46,778	40,621	40,335	41,028	34,472	26,211
74,409	71,848	72,968	72,822	59,051	58,674
564	430	564	574	976	842
130,643	123,538	124,310	125,951	117,667	91,876
31,253	27,223	38,704	39,608	25,575	23,815
99,390	96,315	85,606	86,343	92,092	68,061
37,054	36,800	35,787	33,217	23,010	22,242
10,657	10,394	9,609	10,972	8,065	5,227
44,415	44,655	33,552	34,958	30,000	2,592
1,228	1,152	884	900	214	213
\$101,458	\$ 97,702	\$ 96,566	\$ 94,674	\$ 92,953	\$ 92,725
3,358,703	3,359,503	3,386,203	3,390,803	3,392,753	3,391,100
\$30.21	\$29.08	\$28.52	\$27.92	\$27.40	\$27.34



## Consolidated Financial Position

	November 30,	1960	1959
Current assets:			
Cash .....		\$ 10,977,856	\$ 9,191,805
United States Government securities, at cost .....		656,371	760,000
Receivables—trade and sundry, less allowance for cash discounts and doubtful accounts .....		53,598,067	52,417,711
Inventories (note 2) .....		83,384,701	80,198,399
Prepaid insurance premiums, taxes, and sundry .....		781,026	679,909
Total current assets .....		149,398,021	143,247,824
Less—current liabilities:			
Notes payable to banks .....		720,000	11,144,950
Current maturities of long-term debt .....		1,755,250	1,755,250
Accounts payable and accrued expenses .....		19,114,335	20,723,392
Employees' balances and tax withholdings .....		1,339,615	1,467,594
Federal and Canadian taxes on income .....		6,599,914	7,830,113
Total current liabilities .....		29,529,114	42,921,299
Net working capital .....		119,868,907	100,326,525
Physical properties—based on appraisal April 30, 1925, plus subsequent additions at cost, less accumulated depreciation (note 3) .....		40,538,083	38,587,982
Customers' secured loans, deferred maturities .....		6,688,409	7,409,966
Excess of investment over equity in subsidiaries, net .....		1,304,580	1,153,940
Employees' notes receivable for stock, secured by 54,851 shares (58,544 shares in 1959) of parent company's common stock .....		1,117,250	1,294,296
Sundry investments and deferred charges .....		1,228,545	946,944
		170,745,774	149,719,653
Deduct:			
Long-term debt, less current maturities (note 4) .....		58,585,250	40,350,500
Minority interests in subsidiaries .....		1,394,571	1,452,897
		59,979,821	41,803,397
STOCKHOLDERS' EQUITY .....		\$110,765,953	\$107,916,256
Represented by:			
Common stock without nominal or par value: Authorized 4,000,000 shares; issued 3,400,000 shares .....		51,000,000	51,000,000
Capital in excess of stated amount; (the decrease in 1960 arose through a transaction in treasury stock) .....		1,023,957	1,037,123
Retained earnings (note 5) .....		58,814,897	56,060,400
		110,838,854	108,097,523
Less common stock in treasury, 1,978 shares (4,778 shares in 1959), at cost .....		72,901	181,267
Stockholders' equity applicable to common stock outstanding, 3,398,022 shares (3,395,222 shares in 1959) .....		\$110,765,953	\$107,916,256

See accompanying notes to financial statements.



# SHOE COMPANY

## Consolidated Income and Retained Earnings

	Years Ended November 30,	1960	1959
Sales and other income:			
Net sales .....		\$296,470,457	\$283,260,920
Income from rentals and services .....		429,122	355,193
Interest and other income .....		<u>868,989</u>	<u>892,768</u>
		<u>297,768,568</u>	<u>284,508,881</u>
Deductions:			
Cost of sales, selling, general and administrative expenses (note 7) ....		275,948,422	262,942,648
Interest and amortization of expense on long-term debt .....		1,525,288	1,466,222
Other interest and sundry charges .....		<u>1,439,695</u>	<u>700,145</u>
		<u>278,913,405</u>	<u>265,109,015</u>
Income before Federal and Canadian taxes on income .....		18,855,163	19,399,866
Federal and Canadian taxes on income, estimated .....		<u>10,101,060</u>	<u>10,131,769</u>
		8,754,103	9,268,097
Proportion of net profit (loss) of subsidiaries applicable to minority interests .....		<u>(113,054)</u>	<u>61,028</u>
NET INCOME FOR YEAR APPLICABLE TO CAPITAL STOCK OF COMPANY .....		8,867,157	9,207,069
Retained earnings at beginning of year .....		<u>56,060,400</u>	<u>52,903,516</u>
		64,927,557	62,110,585
Dividends on common stock \$1.80 per share each year .....		<u>6,112,660</u>	<u>6,050,185</u>
RETAINED EARNINGS AT END OF YEAR .....		<u>\$58,814,897</u>	<u>\$56,060,400</u>

See accompanying notes to financial statements.

### Accountants' Report

#### THE BOARD OF DIRECTORS AND STOCKHOLDERS INTERNATIONAL SHOE COMPANY:

We have examined the statement of consolidated financial position of International Shoe Company and subsidiaries as of November 30, 1960 and the related statement of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statement of consolidated financial position and statement of consolidated income and retained earnings present fairly the financial position of International Shoe Company and subsidiaries at November 30, 1960 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

St. Louis, Missouri  
January 3, 1961

PEAT, MARWICK, MITCHELL & CO.



# INTERNATIONAL SHOE COMPANY

## Notes to Financial Statements

NOVEMBER 30, 1960

### (1) Principles of consolidation:

All subsidiaries (excluding one Australian subsidiary in which investment aggregates \$121,365) with a 51% or greater ownership are included in the consolidated financial statements in accord with the established policy of the company. Operating results from acquisition date of newly acquired subsidiaries are included in consolidated income.

In so far as practicable, all intercompany accounts, transactions, and unrealized profit in inventories have been eliminated in consolidation.

### (2) Inventories:

	1960	1959
Finished shoes .....	\$49,305,574	\$45,027,140
Shoes in process .....	2,414,293	2,784,069
Hides and leather .....	13,078,980	13,499,384
Miscellaneous materials on hand and in process.	18,585,854	18,887,806
	<u>\$83,384,701</u>	<u>\$80,198,399</u>

Forty-six per cent of the inventories at current values are priced at cost, last-in, first-out (LIFO). The remainder of the inventories, including all miscellaneous materials and supplies, are priced at the lower of cost, first-in, first-out, or replacement market.

### (3) Physical properties:

	1960	1959
Land .....	\$ 3,966,372	\$ 3,732,629
Buildings and structures ..	42,984,788	40,607,174
Machinery and equipment ..	43,320,626	41,004,278
Lasts, patterns and dies ..	1	1
	<u>90,271,787</u>	<u>85,344,082</u>
Less accumulated depreciation .....	49,733,704	46,756,100
	<u>\$40,538,083</u>	<u>\$38,587,982</u>

Properties of Twelfth-Delmar Realty Company (net balance November 30, 1960, \$2,530,164) are pledged as collateral on mortgage notes payable to banks.

### (4) Long-term debt, less current maturities:

	1960	1959
4½% promissory installment notes, due annually \$1,875,000, 1970 through 1989 and balance in 1990 .....	\$50,000,000	—
3½% promissory installment notes, due annually \$1,125,000, 1962 through 1981 and balance in 1982 (replaced in 1960 with 4½% notes) .....	—	\$30,000,000
3½% promissory installment note, payable \$1,500,000 annually 1962 through 1965 .....	6,000,000	7,500,000
Mortgage notes payable, an obligation of Twelfth-Delmar Realty Com-		

### Long-term debt, less current maturities: (cont'd)

	1960	1959
pany, payable \$10,000 monthly, and balance December 1, 1963 .....	\$ 1,450,000	\$ 1,570,000
5½% sinking fund debentures, obligations of Savage Shoes Limited:		
Series A, annual sinking fund requirements \$48,750 to 1961 and \$52,500 thereafter .....	311,250	360,000
Series B, annual sinking fund requirements \$16,500 to 1966 and \$17,000 thereafter .....	184,000	200,500
Installment bank loan, an obligation of Savage Shoes Limited, payable \$80,000 annually 1961 through 1968. Interest at daily commercial rates, 5¼% each year .....	640,000	720,000
	<u>\$58,585,250</u>	<u>\$40,350,500</u>

### (5) Retained earnings restrictions:

Retained earnings of \$43,810,400 at November 30, 1960 are restricted as to payment of cash dividends on common stock by the 4½% promissory note agreement. The note agreement also provides that no payment be made for dividends unless consolidated net working capital shall be at least \$80,000,000.

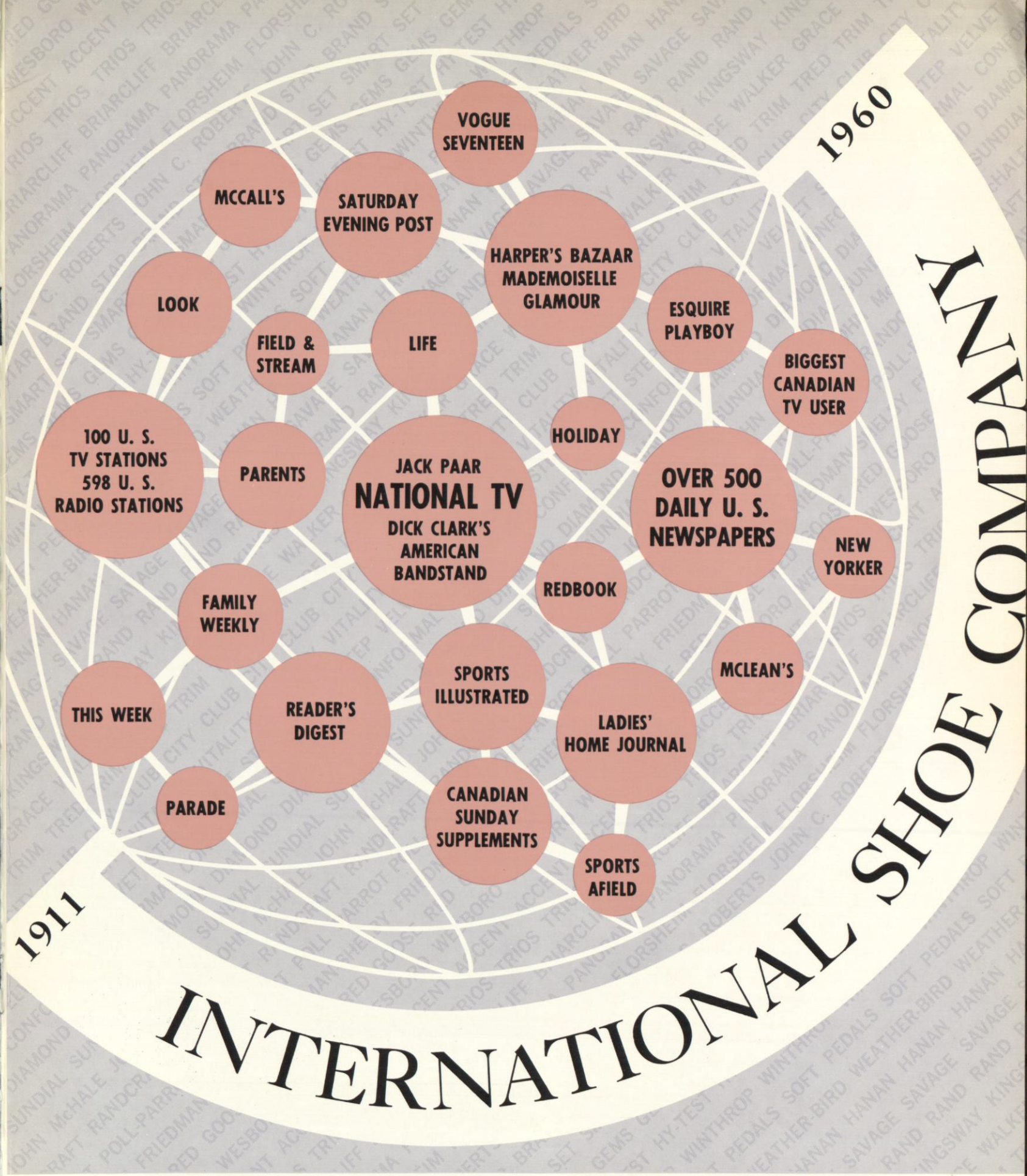
### (6) Common stock subject to options:

At the beginning of the year options to acquire 122,090 shares were outstanding. During the year options to acquire 5,700 shares, which were due to expire April 21, 1964 were cancelled and options to acquire 5,500 shares, under the same plan and expiration date, were granted to other employees. Also options for 300, 1,000 and 1,000 shares expiring respectively December 26, 1960, September 9, 1962 and July 21, 1964 were cancelled, and options to purchase 2,000 shares being 1,000 shares each to two new employees were granted as a part of their employment arrangement. No options were exercised. At November 30, 1960, options were outstanding to acquire 5,240 shares at \$39½ (expire 1962) and 116,350 shares at \$34½ (expire 1964).

### (7) Certain charges to operations:

	1960	1959
Depreciation of physical properties .....	\$3,809,670	\$3,567,387
Maintenance and repairs ...	5,358,362	5,006,911
Taxes other than income taxes .....	6,685,181	5,723,350
Rentals of real property ...	4,536,966	3,630,140
Rentals of shoe machinery ..	2,286,358	2,228,963
Rentals of leased departments .....	<u>2,616,208</u>	<u>1,598,997</u>





## 1960 ADVERTISING HIGHLIGHTS

Advertising Director: A. L. Johnson

- Budgeting \$9 million to reach North American Consumers
- Regular National Network Television Programs
- Newspaper advertising of more than 20,000,000 lines annually
- More than 30 brands nationally advertised in the United States and Canada
- Selling shoes with big-league baseball and basketball
- Greatest user of Canadian Sunday Supplements



